

# Committee on Ways and Means

## Welfare Programs and State Budgets

The House-passed welfare reauthorization bill (H.R. 4) maintains the TANF block grant at record highs despite significant caseload reductions.

- H.R. 4 provides \$16.5 billion in Federal TANF block grant funds for each of the next 5 years (2004-2008).
- H.R. 4 also will increase child care funding for States, providing up to an additional \$4 billion over 5 years.
- Despite claims that funding is insufficient, there was almost \$4 billion in unspent TANF funds at the end of fiscal year 2003.

Welfare reform has required States to provide fewer of their own resources in order to receive Federal funds.

- TANF requires States to spend only 75% of what they historically spent under AFDC programs. Therefore, this State “maintenance of effort” requirement is \$3.5 billion less per year than what States were spending under AFDC, or \$24.5 billion in potential State savings over the past 7 years (1997-2003).
- H.R. 4 continues this maintenance-of-effort requirement for States, preserving this reduced level of required spending for the States through 2008 – producing another potentially \$17.5 billion in future State funds freed up for other uses.
- Even as States may spend less than what they spent under AFDC, Federal funds under the new TANF cash welfare program have stayed at 100% of their prior rate, despite huge caseload declines.

H.R. 4 will enhance State flexibility to provide support for working families.

- H.R. 4 will increase the percentage of TANF funds that may be transferred to the Child Care Development Block Grant (CCDBG) and the Social Services Block Grant (SSBG) from 30% to 50%, which could result in \$3+ billion in funds for child care.
- States also will have flexibility to use carry-over funds from TANF grants for any benefit or service (such as child care) without fiscal year limitation. States have requested this sort of added flexibility for years.